

*mco*  
**18**

**Secret**

25X1



DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

# *The Situation in South Vietnam* (Weekly)

State Dept. review completed

ARMY review(s) completed.

USAID review completed

**Secret**

146  
3 April 1967  
No. 0344/67

**Secret**

25X1



## **WARNING**

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.



**Secret**

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7  
[Redacted]

SECRET

CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM  
(27 March - 2 April 1967)

C O N T E N T S

Section

POLITICAL SITUATION

I

Constitution promulgated; Armed Forces  
Congress action; Phan Khac Suu formally  
announces presidential candidacy; Local  
elections.

REVOLUTIONARY DEVELOPMENT

II

The RD situation in Quang Tri Province;  
Montagnard cadre programs in the high-  
land provinces.

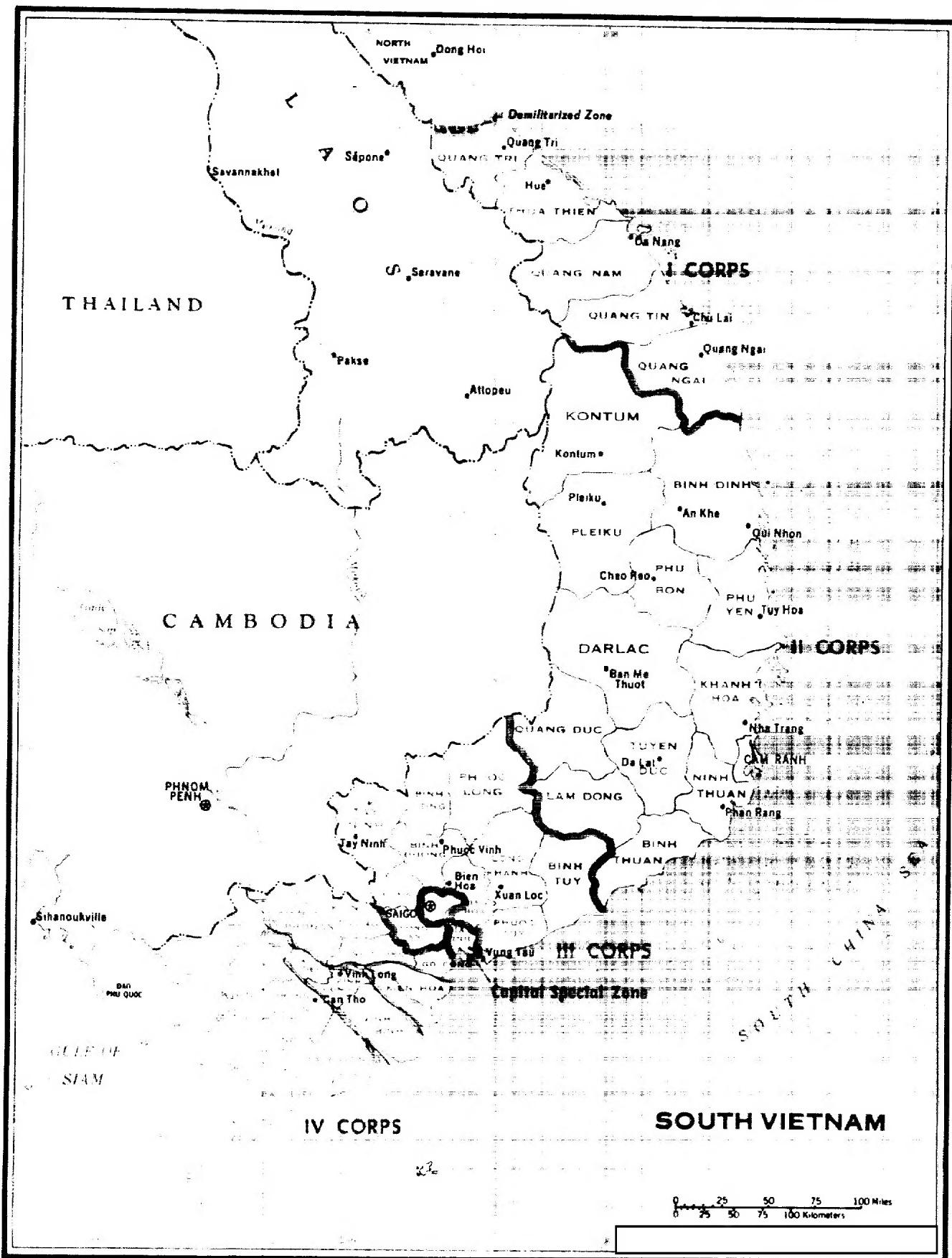
ECONOMIC SITUATION

III

Prices; Currency and gold; Rice situa-  
tion; Economic situation in Da Nang; US  
military banking facilities.

ANNEX: Weekly Retail Prices in Saigon (table)  
Saigon Free Market Gold and Currency Prices (graph)

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7  
[Redacted]  
SECRET



25X1

I. POLITICAL SITUATION

The promulgation of South Vietnam's new constitution occurred on 1 April in a brief, impressive, and dignified ceremony in Saigon. The promulgation ceremonies followed the grudging ratification of the constitution by the Armed Forces Congress earlier in the week.

Elsewhere on the national scene, Phan Khac Suu formally announced his presidential candidacy and his choice of Dr. Phan Quang Dan as a running mate. Locally, village council elections began on 2 April.

Constitution Promulgated

1. On 1 April, Chief of State Nguyen Van Thieu formally promulgated the new constitution at a brief ceremony in Saigon. The entire Military Directorate and Constituent Assembly were present, along with the Peoples Army Council, and representatives of the major ethnic and religious groups. Catholics, however, boycotted the ceremony to demonstrate their dissatisfaction with the deletion of a reference to a Supreme Being from the preamble of the constitution.

2. Thieu, as principal speaker, emphasized the continued need for unity and military-civilian cooperation and thanked the assembly for its work on the constitution, but also gave good marks to the Directorate for accepting it without change. He urged the assembly to complete work on the election laws by the end of April. Thieu called for the formation of active political parties and the emergence of a broad national front. The latter may pave the way for the military to field political candidates--a method which the embassy says is acceptable to both Thieu and Ky.

3. An expected proclamation of a National Reconciliation program was not made by Thieu at the ceremony. This appears to be another example of the foot-dragging that has characterized the GVN approach to the effort to use the talents of former Viet Cong and integrate them into the GVN war effort.

25X1

**SECRET**

25X1

Armed Forces Congress Action

4. Earlier, on 28 March, the Armed Forces Congress ratified the constitution, but not without first echoing criticisms voiced by several members of the ruling Directorate the previous week. According to an official government press release, a majority of the congress disapproved the constitution during the morning session, especially provisions establishing the powers of the executive, legislative, and judicial branches, and those allotting the Constituent Assembly a transitional role. During the afternoon session, the Congress reconsidered and voted approval, with 35 in favor, eight opposed, and two abstaining. The Congress also scheduled the election of the president, vice president, and upper house for 1 September, and of the lower house for 1 October, and expressed its confidence that the Directorate would maintain stability during the transitional period.

5. The grudging manner of the Congress in approving the constitution--which was emphasized by the unusual public disclosure of the details of the meeting--and its vote of confidence in the Directorate to the exclusion of the assembly during the transitional period constitute a clear warning that the military intend to exercise ultimate political power until the new government is established. By openly criticizing the transitional role of the assembly and by fixing election dates without consulting the assembly--which will legislate electoral regulations--the military implicitly put assembly members on notice not to take advantage of the limited powers afforded them. At the same time, the reservations expressed by members of the Congress as well as of the Directorate appear to be genuine, and, as such, illustrate that the military's long standing suspicions of civilian politicians remain strong.

Phan Khac Suu Formally Announces Presidential Candidacy

6. In line with previous indications, Constituent Assembly chairman Phan Khac Suu formally announced his presidential candidacy last week, and chose Dr. Phan Quang Dan as his vice presidential running mate. In a later conversation with US Embassy officials, Suu expressed confidence that he would win. He implied that

**SECRET**

25X1

25X1

the military would not be able to unite effectively behind a single military candidate, and that his own prestige would offset the military candidate's advantage in controlling government machinery.

25X1

7. [redacted] attempts are already being made to line up support among the Cao Dai religious sect in the delta for Suu, who is an elderly Cao Dai southerner. He will probably receive additional votes in the Saigon area based on the popularity of his running mate among northern refugees. Embassy reports, however, state that Suu has not yet put together a national campaign organization, and that claims of support for Suu among Hoa Hao, Catholic and VNQDD groups are questionable. Suu's general area of strength is the delta, but the expected presidential candidacy of former premier Tran Van Huong may result in Huong and Suu splitting the southern regionalist vote.

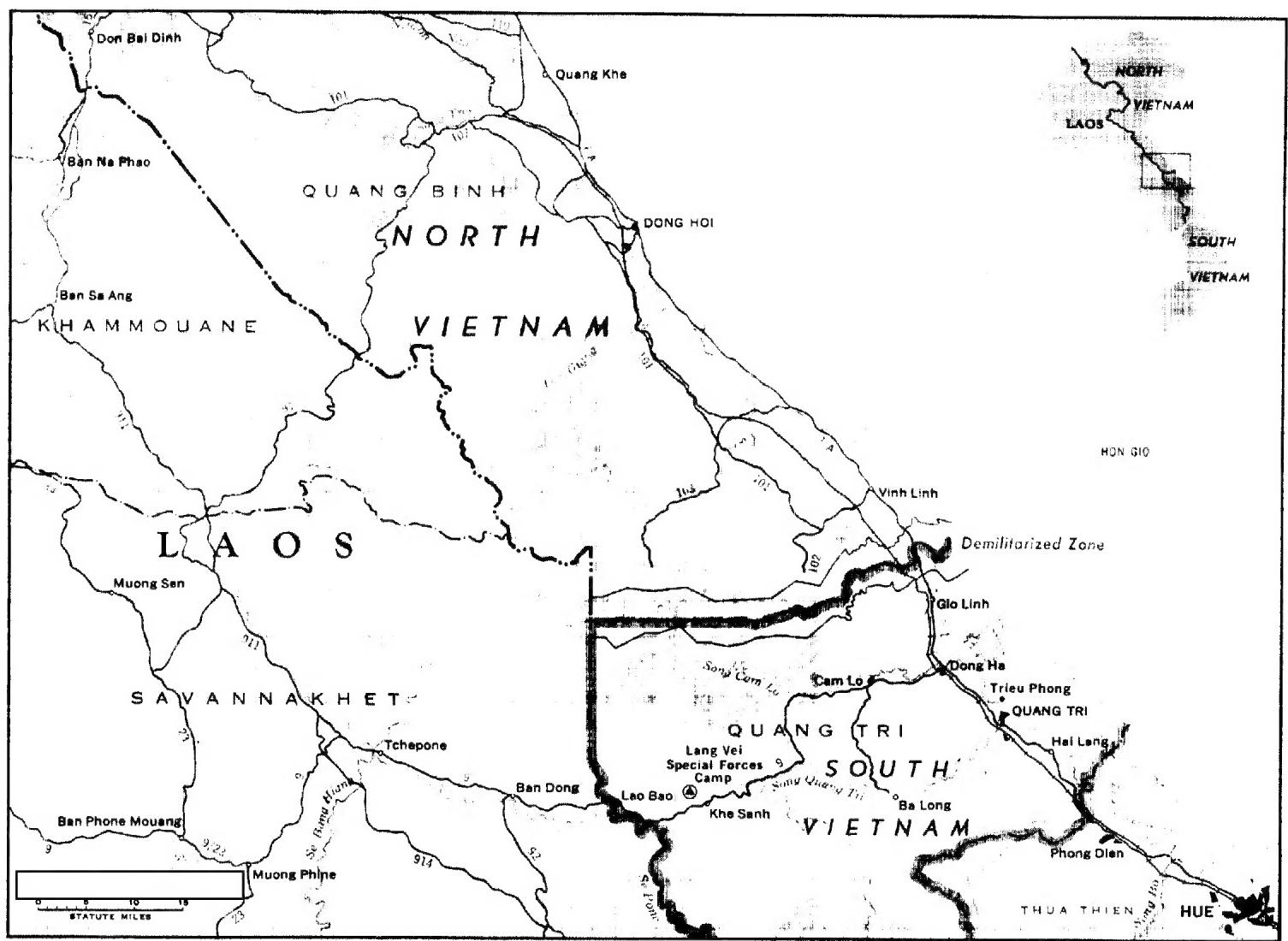
#### Local Elections

8. The election of village councils got under way in South Vietnam on 2 April apparently without serious incident or interference from the Viet Cong. Preliminary returns suggest a good turnout but not so high as that of the September 1966 election of delegates to the Constituent Assembly. The election will cover in its initial phase, during April about 1,000 villages. The village elections will be followed by the election of some 4,500 hamlet councils in May and early June. There are an estimated 2,500 villages and 12,000 hamlets in South Vietnam. The staggered elections system is being employed as a method to insure the maximum security from Communist interference.

9. The Viet Cong have threatened these elections as they did the Constituent Assembly elections, but the threats are not so numerous as in September. Propaganda, intimidation, and some terrorism--including the assassination of at least one local candidate--have been employed by the Viet Cong to keep rural voters from the polls.

25X1

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7



66197 4-67 CIA

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

~~SECRET~~

25X1

## II. REVOLUTIONARY DEVELOPMENT

The RD situation in Quang Tri, Vietnam's northernmost province, is assessed. The Truong Son (montagnard) cadre programs, operating under the Special Commissariat for Montagnard Affairs (SCMA), are to be reorganized to bring them into line with the national RD program. Following is a recapitulation of returnees for the period 19 to 25 March:

I Corps	28	Military 854
II Corps	252	Political 281
III Corps	343	Other elements 52
IV Corps	564	
Total	1,187	Year's total to date 9,746

### The RD Situation in Quang Tri Province

1. Communist pressure against allied military forces, government administrative centers, and RD teams in northernmost Quang Tri Province has intensified since the beginning of 1967, as part of a general military offensive involving primarily North Vietnamese Army (NVA) units. The Communist effort to counter Revolutionary Development in Quang Tri is primarily a military one, and lacks some of the political propagandizing which has gone hand in hand with the enemy's anti-RD program in other areas of South Vietnam such as the Delta. To prevent the government from extending its control into the Quang Tri countryside, NVA elements have been conducting forays against hamlets and villages where the RD teams have been operating.

2. In the Communist command structure, Quang Tri Province, along with adjacent Thua Thien Province,

25X1

~~SECRET~~

Approved For Release 2007/02/08 : CIA RDP79T00826A001800010018-7

25X1

25X1

is known as the Tri Thien Special Region, and, [ ] may be administered as a part of North Vietnam's Military Region IV. The principal NVA forces in the Demilitarized Zone (DMZ) - Quang Tri Province area at present are the 324B Division, with three subordinate regiments, and at least one regiment of the 341st Division. These units appear to cross back and forth across the border. In addition, one independent regiment and three to five separate battalions normally operate in Quang Tri and Thua Thien provinces. The total strength of these forces is approximately 10,300. The strength of the Quang Tri local forces, irregulars, and political cadre is estimated to be about 5,000.

25X1

3. To provide security for the approximately 270,000 people in Quang Tri Province, the government has some 6,400 Regional Forces (RF), Popular Forces (PF), National Police, and Civilian Irregular Defense Forces (CIDG). Two regiments of the ARVN 1st Division are also located in the province. Under the RD plan, the regiments are to provide the shield behind which most of the provincial forces, except for the CIDG, are to operate. In western Quang Tri, the Long Vei Special Forces camp with its CIDG and PF defenders serves as the capital of Huong Hoa District and is responsible for Vietnam-Laos border surveillance. Elements of the US 3rd Marine Division have been operating continually in the DMZ - Quang Tri area since mid-1966 to prevent enemy infiltration across the DMZ and to destroy enemy troop and logistical concentrations in the area.

4. Although no part of Quang Tri Province is a National Priority Area for RD, the entire coastal plain is classified as a priority area for offensive military operations. In 1967, the RD effort is to be concentrated in Mai Linh District which surrounds Quang Tri city--the provincial capital, and in Trieu Phong District bordering Mai Linh on the north. Military sweeps, a major RD reorganization, and the Tet celebration delayed the start of the RD teams' work in the 1967 priority area until after the Tet (lunar new year) holidays in February.

~~SECRET~~

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

25X1

5. As of 1 March, there were 15 Vietnamese RD teams (754 workers) and four montagnard RD teams (222 workers) operating in the province. While the Vietnamese RD teams will concentrate in the priority RD area, the montagnard RD teams will presumably work in the vicinity of the Long Vei Special Forces camp in the highland district of Huong Hoa or in montagnard refugee camps along the coast.

6. The reaction of the RD teams to increased enemy military pressures against them has, so far, been satisfactory. Only one report has been received of an RD team's abandoning its activities without attempting to defend itself; this incident occurred on 17 March when the team faced the prospect of engaging an NVA battalion. In several other instances RD teams, often paired with PF, have defended themselves against enemy attacks.

7. In spite of this satisfactory performance, however, the stepped up pace of enemy activity appears to have resulted in a lowering of morale among RD workers. Figures on attrition for February show that, while only two workers were killed and seven captured, three workers resigned and 58 deserted. All of the deserters appear to have been from Vietnamese teams, making their desertion rate for the month about seven percent. Since RD workers were not allowed any time off for the lunar new year, a number of these deserters may have merely decided to go home for the holidays.

8. Despite Communist harassment, there have been indications that residents of some hamlets are identifying with the RD teams and participating in RD programs. In one hamlet, residents informed the team of the presence of an armed NVA soldier who, as a result, was captured by the team. In another hamlet, 78 persons are being trained by the RD team as hamlet defense personnel, under a recent government directive authorizing the teams to establish a "People's Self Defense Force." The Quang Tri Province Chief has agreed to provide some weapons to the defense force upon the completion of its training. In this same hamlet, a female member of the RD team has organized and is teaching a kindergarten class for 50 of the hamlet youngsters.

25X1

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

~~SECRET~~

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

25X1

9. In Quang Tri Province, two ARVN battalions are conducting operations in direct support of RD. The mission of the battalions is to sweep the RD target areas, cordon them off, and search for remaining guerrillas and members of the Communist infrastructure. The battalions are still under the control of their parent regiment, but the regimental commander has been designated Deputy Sector (Province) Commander for RD, a position which engages him in provincial RD affairs and makes him responsive to the Province Chief. In addition, the ARVN units have increased their civic action capability by forming civic action teams at both the sector (province) and division levels. The Regional Forces and Popular Forces have reportedly been assisting local self-help programs.

10. In general, the National Police are limited to the main towns and are not yet effective in the rural areas. Because of the large NVA military strength in the province, the Police Field Forces are being used to support normal police activities not associated with the RD plan.

11. The Vietnamese Information Service and the provincial technical staff are the government agencies performing least satisfactorily in support of RD in Quang Tri, as well as on a nationwide basis. Both groups appear to be lacking in motivation and initiative, and their activities are thus unimpressive.

12. The provincial RD Council, newly reorganized, is not yet functioning to the degree anticipated. This is in part due to the fact that the caliber of provincial officials, with some exceptions, is rated as low. Their effectiveness has been further hampered by political jousting between various provincial officials owing allegiance either to the Revolutionary Dai Viet Party (RDVP) or the Vietnamese Nationalist Party (VNQDD). Both parties appear to view the RD teams as an instrument for gaining local influence, particularly since the teams play a role of organizing village and hamlet elections. The RDVP, the stronger and better organized party in Quang Tri, reportedly gained some influence over the earlier People's Action Teams (PAT's) in the province, but the extent of its influence over the present RD effort is not known.

~~SECRET~~

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

25X1

13. The first monthly survey made in accordance with the new Hamlet Evaluation System (HES)--a unilateral MACV assessment of progress in hamlet development and population security--was completed on 20 February. Although a trial period is necessary before the statistics compiled can be considered as having some validity, the initial results of the evaluation in Quang Tri Province suggest that too many hamlets have been placed in the "consolidation" category (C) and should be rated as "under construction" (Category D) or "contested" (E).

14. Following are the initial statistics:

<u>Category</u>	<u>Hamlet</u>	<u>Population</u>	Number of <u>Hamlets</u>
A	Completed*	Secure	0
B	Developing	Secure	15
C	Under Consolidation	Under Securing	142
D	Under Construction	Under Securing	121
E	Contested	Contested	49
VC Control	-	-	<u>111</u>
Total number hamlets assessed			<u>438</u>

---

\* Completed hamlets under an 11-point criteria are the Ap Doi Moi ("Real New Life Hamlets"), Ap Binh Dinh (Pacification Hamlets), and Ap Cung Co (Consolidation Hamlets). The Ap Tan Sinh (New Life Hamlets), under the old six-point criteria, are also included in the completed category.

~~SECRET~~

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

~~SECRET~~

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

25X1

Montagnard Cadre Programs in the Highland Provinces

15. A prevalent notion that Truong Son cadre are, at this point, the montagnard equivalent of the ethnic Vietnamese RD teams is misleading. Truong Son is the composite name for a variety of montagnard cadre programs which were developed in the highland provinces over a period of years.

16. In April 1965, the various teams were brought into a "national cadre" framework and placed under the over-all direction of the Special Commissariat for Montagnard Affairs (SCMA). At the same time, a national Truong Son Cadre Training Center was established in Pleiku City to provide a more integrated training program which emphasized security, civic action, vocational training and political training. The political training portion attempted to inculcate the cadre with a spirit of nationalism and support for the allied presence in South Vietnam.

17. Plans are now under way, however, to bring the Truong Son teams into line with the general requirements of national RD policy and to step up the tempo of their activities. As at Vung Tau, all cadre at the Truong Son training center would receive instruction on RD policy, and some will receive special leadership training. Under the proposed reorganization, the Truong Son program will embrace two types of present teams--Psychological Warfare Entertainment and Provincial Reconnaissance Units--and a new 70-man Truong Son RD team, to be formed by combining the existing 50-65-man Political Action Teams (PAT) and six-man Civic Action Teams (CAT).

18. The requirements for the cadre in the highlands have been fundamentally different from those for the lowland Vietnamese population. The primary role of the Truong Son cadre has been to provide security within the hamlet, and secondarily to perform follow-up work on civic action and social welfare. Vietnamese RD concepts such as rooting out the Communist infrastructure and ridding the hamlets of corrupt individuals and "bullies" are foreign to the requirements of most highlander hamlets. In fact, it is

25X1

Approved For Release 2008/02/08 : CIA-RDP79T00826A001800010018-7

reportedly rare in the highlands to find a montagnard Communist infrastructure in hamlets under government control or even in contested areas.

19. Truong Son PAT and CAT teams approach the population in a low-key manner and attempt to convey, over a period of time, the idea that the GVN is not only a bearable but also a positive alternative to the Viet Cong. Unlike the ambitious and relatively sophisticated list of tasks to be carried out by the Vietnamese RD teams in constructing a "Real New Life Hamlet" (Ap Doi Moi), the work of the Truong Son cadre members is characterized by a simple, direct attention to obvious local community problems. Like the Vietnamese RD teams, however, they attempt to involve the local population in hamlet projects.

20. The prestige of the Truong Son cadre--who returns from training with widened views, new clothes, and a monthly salary--is generally higher in the highlander hamlets than is the prestige of the Vietnamese RD cadre in the lowland hamlets. Generally, the teams have to date worked under the direction of the local district chief who controls what they do and how long they stay in a particular hamlet. Under optimum conditions, after the team has spent three to five months in a hamlet, the hamlet will be at the "consolidation" phase (Ap Cung Co), in which continuing government presence and activities--especially by the technical services--may bring the hamlet up to Ap Doi Moi status.

21. The SCMA is in the process of revising its statutes to bring pay, rewards, and other administrative activities into line with the statutes of the Ministry of Revolutionary Development (MORD). Decrees have been issued by the SCMA and MORD in an effort to effect coordination between the two cadre systems through the provincial RD and SCMA chiefs.

22. Essentially, however, the success of the Truong Son program depends on the over-all government policy toward the highlanders. Serious shortcomings exist in the government's educational, economic, and social programs in the highlands, reflecting both the traditional Vietnamese disdain for highlanders, and

SECRET

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

25X1

the present strains on Vietnamese human and material resources. Most government officials in the highlands have shown little interest in the Truong Son cadre activities, and bureaucratic delays in implementing meaningful programs and difficulties of transportation and communications in the highlands compound the problem.

23. Under the proposed reorganization, Truong Son RD teams will operate in 19 provinces. The Training Center in Pleiku is establishing mobile training teams which will hold one to two week training courses in the field with the purpose of establishing the new teams and bringing their activities into harmony with the national RD plan.

24. The US Mission believes that the Truong Son RD cadre teams should be maintained as a separate system, at least until MORD's cadre system becomes more professional and more directed to the tasks at hand. The morale and performance of the Truong Son appears to be enhanced by the feeling that, by working under the SCMA, they are working for their own people. Similarly, the Mission feels that coordination between the SCMA and RD representatives at corps and province level needs to be strengthened. As with the Vietnamese RD teams, the lack of support from provincial technical services and inadequate security have hindered the program.

25X1

III. ECONOMIC SITUATION

Retail prices in Saigon declined six percent during the week ending 20 March largely as a result of lower prices for rice and meat. The price of rice used by the working class dropped 15 percent but is still 70 percent higher than at the beginning of the year. Prices of imported commodities continued to rise for the second consecutive week. The free market rate for dollars held steady, whereas the rate for gold fell six piasters and the MPC (scrip) rose two piasters. The rice situation has improved considerably since the beginning of March, but rice prices appear to be stabilizing at recent high levels. According to a US Embassy study, the economic life of Da Nang--the military and administrative capital of Region I--appears to be recovering after a year of dislocation. Governor Hanh has again raised objections to the operations of the US Military Banking Facilities in Saigon, claiming there are major leakages in the system.

Prices

1. The weekly USAID retail price index for Saigon fell by six percent during the week ending 20 March, returning to about the level of 20 February. This decline resulted almost entirely from lower prices for food items, particularly rice and meat. On 20 March the price of rice used by the working class was 29 piasters per kilogram compared with 33 piasters a week earlier, and a peak of 37 piasters on 10 March. The price on 20 March, however, was still 70 percent higher than it was at the beginning of the year, and, according to the latest information, it rose by one piaster to 30 piasters per kilogram on 22 March (see paragraphs 4-6). Pork prices reached their lowest level since the end of 1966 as imported pork went

25X1

[redacted]

on sale on 20 March. Prices of beef, fish, and fowl also declined under the influence of falling prices of pork. Prices of nonfood items remained generally stable. (A table of weekly retail prices in Saigon is included in the Annex.)

2. During the week ending 21 March the prices of almost all imported commodities increased slightly, for the second consecutive week, and the index for selected US-financed imports showed a gain of about two percent above the previous week. Fertilizer prices, however, rose considerably, probably because higher official prices were announced by the Ministry of Agriculture.

Currency and Gold

3. On 20 March in the free market, dollars were stable at 171 piasters per dollar; gold was down six piasters from the previous week to 219 piasters per dollar--the lowest rate since December 1965. The GVN official selling price for gold is 213 piasters per dollar. The rate for MPC (scrip), however, rose two piasters to 121 piasters per dollar. Explanations for the changes in the rates for gold and scrip are not yet available. (A graphic on monthly and weekly free market currency and gold rates is included in the Annex.)

Rice Situation

4. The rice situation has improved considerably since the beginning of March, but rice prices appear to be stabilizing at recent high levels. Current imports are sizeable, but deliveries from the Delta decreased somewhat in the last half of March. Shipments of imported rice to South Vietnam are expected to exceed 90,000 tons in March and to remain at that level in April. The entire 20,500 tons purchased from Taiwan arrived in March. Deliveries of domestic rice from the Delta to Saigon totaled 23,332 tons during the first 21 days in March, but the delivery rate has declined since 15 March. The US Embassy estimates that total deliveries for March will not exceed 28,000 tons,

25X1

compared with 38,000 tons during March 1966. According to Embassy calculations, GVN security stocks of rice by the end of May could at best amount to 126,000 tons, or about six weeks supply.

5. The Embassy reports that the usual consumer preference for domestic rice appears more marked lately and thus contributes to the high level of prices for domestic rice. Although the price of rice consumed by the working class dropped from 37 piasters per kilogram on 10 March to 29 piasters per kilogram on 20 March, it rose again by one paister on 22 March. US officials do not expect another sharp decline soon. The price of this type of rice was 23 piasters at the end of February and 17 piasters at the beginning of the year.

6. The plans of the GVN Ministry of Commerce to buy rice from merchants in the Delta apparently have been shelved for the time being because of objections raised by Governor Hanh, the new Minister of Economy and Finance. Nevertheless, Ministry of Commerce officials, who toured the Delta in February and made arrangements to buy rice, continue to favor such purchases. These officials maintain that the Ministry of Commerce will lose face if the previously announced purchases are not carried through and that it is unlikely that the price of rice would ever be lower than the 2,000 to 2,100 piasters per 100 kilograms agreed upon in February. Moreover, they argue that the 28,000 tons which the merchants promised for delivery at the end of April would be a useful addition to GVN stocks. According to one rice merchant, 3,000 tons of rice destined for the GVN now is being loaded at Bac Lieu and will probably be sold on the Saigon market if the GVN does not take the rice.

#### Economic Situation in Da Nang

7. Da Nang, the military and administrative capital of Region I, appears to have recovered from a year of dislocation and found a new and prosperous level of economic activity. According

[redacted]

to a US Embassy study, four factors account for this development: (1) the military construction program begun in 1965 is almost completed; (2) port development has made possible a sufficient flow of commodities; (3) US forces have been successful in limiting their participation in the local economy; and (4) Da Nang and vicinity are relatively secure.

8. Local officials now estimate the city's population at 228,000, an increase of 66,000 since the end of 1964. Many of these were farmers from the surrounding areas who moved into Da Nang to take construction jobs. Almost all of Da Nang's food supply comes from Quang Nam Province or points south, and the local economic service claims that supplies of all major commodities except pork and lumber are adequate. The scarcity of these two items is traced to the lack of security in the hinterland.

9. Many citizens apparently feel that the recent inflationary pressure is over and that income is beginning to keep pace with rising costs. Various occupational groups were surveyed to determine the percentage of income spent for rice during the period 1961-1966. At the end of 1966 all groups spent more for rice than in 1961, but the worst period was during 1964-65 when the percentage for almost every group was the highest. In late 1965 a decline began as income began to catch up with rice prices.

10. Da Nang has an estimated labor force of about 120,000. Apparently there is no absolute labor shortage, although there are shortages of certain skilled workers. Because Da Nang is approaching a fuller employment status, wages paid by local Vietnamese businessmen must be competitive with US agencies, and available data suggest that the Vietnamese are successful in bidding for local talent. On the other hand, GVN employees are underpaid, resulting in low government morale, inefficiency, and corruption.

[Redacted]

11. Da Nang is supplied primarily by land and sea with only small amounts of material being airshipped. The most important facility by far is the port of Da Nang itself. Since 1965 this has been made into an ocean going port, and large facilities for handling military cargo have been built. These military facilities have taken the strain off the commercial port, which remains almost as it was before the buildup. The present capacity of the commercial port is 40,000 tons per month, but during 1967 USAID plans to increase this by 40 percent.

12. The Embassy study reports that the whole US military establishment in the area, about 70,000 troops, has religiously complied with stringent policies regarding local wage levels, local procurement, and nonappropriated spending. The total curfew imposed on US military in the city has been successful, and most of the bars are closed. The effect has been economically positive.

#### US Military Banking Facilities

13. Governor Hanh of the National Bank of Vietnam (NBVN) has again raised objections to the operations of the US Military Banking Facilities (MBFs) which were established in Saigon last September to maintain MPC checking accounts for in-country use, dollar checking accounts for out-of-country use, and piaster accounts for US official and quasi-official activities. Hanh has requested that MBFs be moved from downtown Saigon to US military bases by 15 April and that a joint US-GVN inspection of the MBFs be held immediately. According to Hanh, there are major leakages in the MBF system which is not well monitored. He claims that Indian merchants collect MPC from the bars in Saigon and sell them to US personnel who deposit them in MBFs and then, through the MPC account, translate them into dollars in the US at a considerable profit. Moreover, Hanh reports that non-US personnel are using the system for the same purpose.

~~SECRET~~

Approved For Release 2007/02/08 : CIA RDP79T00826A001800010018-7

14. The US Embassy feels that the entire question of the operating procedures, locations and controls of the MBFs and GVN jurisdiction over them now has been reopened and that there is a serious possibility that Hanh will close them completely unless the US acts quickly to satisfy some of his objections. Basically, Hanh feels that he should have a voice in this matter because the MBFs are on Vietnamese soil and the US does not have a status of forces agreement with South Vietnam or extraterritorial rights. The original exchange of letters which established these facilities did not clearly state that checks were convertible to dollars outside of Vietnam. Although Hanh has been repeatedly assured that effective control procedures have been instituted, this is far from true according to US bank and embassy officials. Accordingly, the US Embassy currently is drawing up a list of new control mechanisms in order to gain more control over the accounts at MBFs and to limit access to these accounts.

~~SECRET~~

Approved For Release 2007/02/08 : CIA RDP79T00826A001800010018-7

TABLE

Weekly Retail Prices in Saigon a/

25X1

	13 June 1966 b/	16 Aug. 1966 b/	27 Feb. 1967	6 Mar. 1967	13 Mar. 1967	20 Mar. 1967
Index for All Items	<u>173</u>	<u>211</u>	<u>255</u>	<u>273</u>	<u>284</u>	<u>261</u>
Index for Food Items	<u>190</u>	<u>216</u>	<u>285</u>	<u>311</u>	<u>324</u>	<u>292</u> c/
Of Which:						
(In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,450	2,300	3,200	3,300	2,900
Pork Bellies (1 kg.)	90	100	150	150	150	120
Fish Ca-Tre (1 kg.)	130	170	170	180	170	160
Nuoc Mam (jar)	70	85	120	120	150	150
Index for Nonfood Items	<u>140</u>	<u>190</u>	<u>201</u>	<u>203</u>	<u>210</u>	<u>209</u> c/
Of Which:						
(In Piasters)						
Charcoal (60 kg.)	460	600	650	670	680	680
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	37	31	31	32	34
Electricity (kwh)	4.2	N.A.	5.3	5.2	5.2	5.2 c/

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

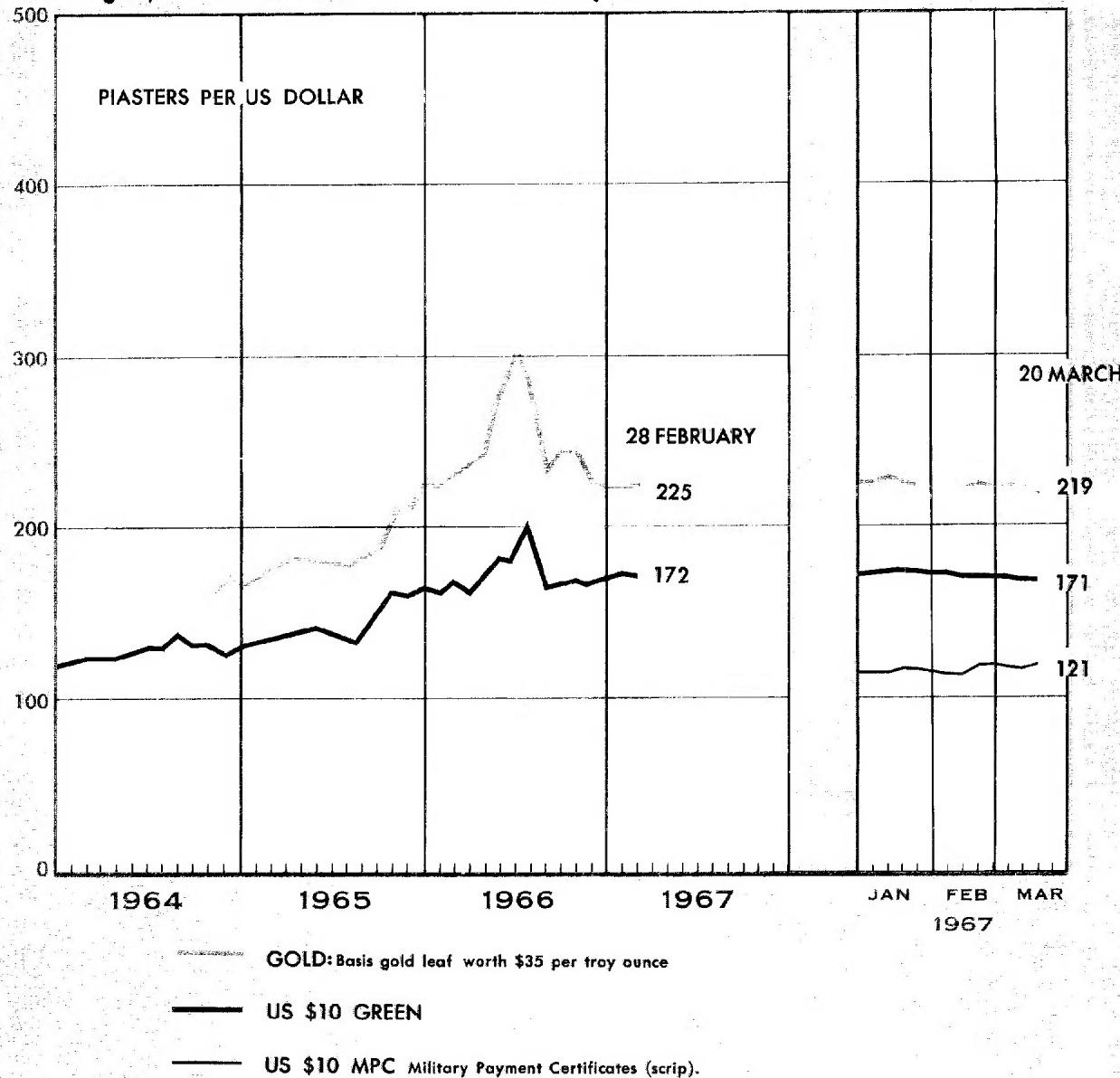
b. Price levels just prior to and two months after the 18 June devaluation.

c. Preliminary.

SECRET

SECRET

### Saigon, Free Market Gold and Currency Prices



66184 3-67

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7

**Secret**

**Secret**

Approved For Release 2007/02/08 : CIA-RDP79T00826A001800010018-7